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Corp report

HALIFAX DEVELOPMENTS LIMITED

ANNUAL REPORT

1971

SCOTIA SQUARE

COMPLETED AND OPERATING

Trade Mart - 250,000 square feet of office and warehouse space

Scotia Mall - two-level shopping mall, 325,000 square feet

Parkade - multi-level parking garage for 1,600 automobiles

Duke Street Tower - 14-storey office building, 210,000 square feet

Nova Scotia Power Commission Tower - 18-storey office building, 180,000 square feet

Scotia Tower - 192 unit apartment building

UNDER CONSTRUCTION

Chateau Halifax - 271-room luxury hotel

PROPOSED

Office building, 85,000 square feet

Two apartment buildings

HALIFAX DEVELOPMENTS LIMITED

SCOTIA SQUARE

P.O. BOX 966-HALIFAX, N.S.
TELEPHONE 429-3660

May 31, 1972

Toronto Globe & Mail
140 King Street, West
Toronto, Ontario

Attention: Financial Editor

Dear Sir:

We are pleased to enclose a copy of our unaudited statement of operating income for the three months ended March 31, 1972. You will note a significant improvement in the results compared with the same period of 1971 and we expect this trend to continue through 1972.

We are also enclosing a copy of our annual report for 1971 for your information.

Construction is well advanced on Chateau Halifax, a prestige hotel being built as part of Scotia Square in partnership with C. P. Hotels. We are projecting a spring 1973 opening.

Yours truly,

HALIFAX DEVELOPMENTS LIMITED

J S Russell

J. S. Russell
General Manager

JSR:lmh
Enc.

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HALIFAX DEVELOPMENTS LIMITED

REPORT OF THE BOARD OF DIRECTORS

Your Directors are pleased to present the Annual Report of your Company's activities for the year ended December 31, 1971.

New Developments

Two activities highlight the year 1971 and both are most meaningful in terms of the future of your Company.

In October, 1971, the Village Square was officially opened by His Honour The Lieutenant-Governor of Nova Scotia, Victor deB. Oland. There was a large crowd on hand to see this new concept in shopping. The Village Square is an area of 40,000 square feet divided into thirty shops and kiosks. The visual impression is that of an Early Maritime Village and the central area contains a common eating area surrounded by five fast-food kiosks. This area continues to be very successful, since its opening, and will contribute to your Company's earnings in 1972.

Also, in October, 1971, it was announced that your Company and C. P. Hotels (a wholly-owned subsidiary of Canadian Pacific Investments) would join forces to build a $7,000,000 prestige hotel in Scotia Square. This hotel, Chateau Halifax, will feature rooftop dining and meeting facilities as well as an all season outdoor swimming pool. The construction of the 271-room hotel is now underway, with the opening planned for early summer, 1973. The hotel will be owned jointly by your Company and C. P. Hotels and will be managed by C. P. Hotels. This hotel should contribute significantly to the future earnings of Halifax Developments Limited.

Financing

Late in 1971 your Directors authorized the "Issuance of Rights" to existing Share-holders to buy one additional Common Share for every two Common Shares held on February 1, 1972. This decision was made to obtain additional equity to help your Company complete the Development of Scotia Square and to assist in acquiring further Development Properties. The "Rights Issue" which was underwritten by four of the Directors has been fully subscribed.

In a further effort to consolidate our financial position, early in 1972 the Directors exchanged their 8% Convertible Subordinated Income Debentures, Series "B" and their 8% Subordinated Income Debentures, Series "C" for Subordinated Non-Interest Bearing Convertible Debentures, Series "D". This action eliminated $560,000 of interest accumulated to December 31, 1971; although this was not payable until the earnings of your Company warranted it. This exchange, we believe, will further enhance the future earnings which will accrue to the Common Shareholders.

Foreign Exchange Gain and Adjustment of Prior Year's Earnings

In December 31, 1970, your Company had an interim construction loan from The Bank of Nova Scotia for the Nova Scotia Power Commission Tower in American Funds. As a result of changes in the U.S. exchange rate, a substantial gain on exchange accrued to the Company. To protect this gain, we purchased a forward contract due in September, 1971 at which time we had a mortgage commitment on the building. As a result, we recorded in our accounts a gain on exchange of $132,000.

However, in view of the favorable interest rate available on U.S. Funds as opposed to Canadian Funds, your Directors' decided to forego the mortgage commitment in favor of a continuance of the Bank loan. As a result, the gain on exchange included in 1970 statements is not strictly a realized gain. It was, therefore, decided to reflect this change and record an unrealized gain on exchange to be taken into income if and when it is finally realized.

HALIFAX DEVELOPMENTS LIMITED

REPORT (Continued)

The differential in interest rate has been as high as 1¼% which on a loan of $5,000,000 could amount to a direct saving of more than $60,000 per year. Your Directors feel that this saving justifies their actions and the foreign exchange gain may still be realized at some point in the future.

1971 In Review

Your Company achieved a positive cash flow on operations during 1971 which includes the operating results for the full year on Stage I (Trade Mart), Stage II (Scotia Mall) and Stage III (Duke Street Tower) and the results for three months only on Stage V (Scotia Tower) and Stage VI (Nova Scotia Power Commission Tower).

All stages except Stage V (Scotia Tower), are now in excess of 90% leased and occupied, an indication of the success of Scotia Square. Scotia Mall completed its second full year of operations on October 31, 1971 with a retail sales increase of 32% over the first year. For the first four months of the third year the percentage increase in retail sales was 45%. This will result in increased percentage rent for your Company in 1972.

Your Directors would like to pay tribute to Colonel S. C. Oland who is retiring as a Director. Colonel Oland has been an active participant in your Company's affairs from the beginning, and the Directors take this opportunity to express their appreciation to him.

The Future

Stage VII, another Office Building, to be built on the North Pad of Scotia Square is now well into the planning stage. Further apartment buildings are planned and information will be released as soon as it is available.

Your Company has been assembling land over the past few years, for future development, to ensure that major new projects will add to the future earnings of the Company. We hope that during 1972, one such major development will be announced.

Scotia Square is the symbol of the re-awakening of Atlantic Canada. Your Directors hope that with the impetus of Scotia Square, the downtown of Halifax will be developed and restored so that it will become what it once was; the social, cultural and commercial heart of the city and the region.

Your Directors would like to express their appreciation to the Management and Staff of your Company for their most successful efforts during 1971.

SIGNED ON BEHALF OF THE
BOARD OF DIRECTORS

C. E. MacCulloch
PRESIDENT

HALIFAX DEVELOPMENTS LIMITED

STATEMENT OF INCOME

	DECEMBER 31 1971	Restated 1970
Rental income	$3,257,413	$2,184,877
Operating expenses less amount recovered from tenants of $638,342 ($481,078 in 1970)	1,362,804	948,194
	1,894,609	1,236,683
Interest on long-term debt	1,794,828	1,272,150
	99,781	(35,467)
Depreciation (Note 2c)	247,640	160,022
Amortization of bond discount and expense (Note 2d)	34,858	33,999
	282,498	194,021
Loss before extraordinary items	(182,717)	(229,488)
Extraordinary items	-	170,395
Net loss for the year	$ (182,717)	$ (59,093)
Loss per share		
Loss before extraordinary items	$ (.09)	$ (.12)
Net loss for the year	$ (.09)	$ (.03)

STATEMENT OF RETAINED EARNINGS

	DECEMBER 31 1971	Restated 1970
Retained earnings, beginning of year:		
As previously reported	$ 186,947	$113,623
Adjustment of 1970 foreign exchange gain (Note 7)	132,417	-
As restated	54,530	113,623
Net loss for the year	182,717	59,093
Retained earnings (deficit), end of year	$(128,187)	$ 54,530

HALIFAX DEVEL

BALAN

ASSETS

	DECEMBER 31 1971	Restated 1970
Cash	$ -	$ 37,619
Accounts and accruals receivable, less allowance for doubtful accounts of $24,000 (1970 - $12,000)	382,951	171,026
Prepaid expenses	20,247	20,260
Performance deposit	150,000	150,000
Fixed assets, at cost less accumulated depreciation (Note 1)	35,580,191	34,336,902
Deferred charges:		
Bond discount and expense, less amortization (Note 2d)	742,855	777,712
Underwriting commission and expense in connection with issue of capital stock	171,122	171,122
	$37,047,366	$35,664,641

APPROVED ON BEHALF OF THE BOARD:

Director

Director

MENTS LIMITED

SHEET

LIABILITIES

	DECEMBER 31 1971	Restated 1970
Bank indebtedness	$ 42,597	$ -
Bank loans, secured (Note 3)	3,179,459	330,000
Property taxes (Note 4)	1,018,626	593,434
Accounts payable and accrued liabilities	627,681	525,010
Construction accounts payable	285,731	1,056,119
Interim financing on construction costs	-	6,034,815
Long-term debt (Note 5)	26,202,843	21,223,306
Subordinated income debentures (Note 6)	2,600,000	2,600,000
Unrealized gain on foreign exchange (Note 7)	103,606	132,417
SHAREHOLDERS' EQUITY		
Capital stock (Note 8):		
Authorized - 4,000,000 common shares without nominal or par value		
Issued - 1,975,010 shares	3,115,010	3,115,010
Retained earnings (Deficit)	(128,187)	54,530
	$37,047,366	$35,664,641

Auditors' Report to the Shareholders of
Halifax Developments Limited:

We have examined the balance sheet of Halifax Developments Limited as at December 31,1971 and the statements of income, retained earnings and source and application of cash for the year then ended, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1971 and the results of its operations and the source and application of its cash for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.

Chartered Accountants

HALIFAX, April 21, 1972

HALIFAX DEVELOPMENTS LIMITED

STATEMENT OF SOURCE & APPLICATION OF CASH

	DECEMBER 31 1971	DECEMBER 31 1970
Source of cash:		
From issuances of long-term debt	$5,231,568	$15,487,881
From current bank loans	2,849,459	330,000
From interim financing of construction costs	-	6,034,815
From refund of deposit with trustee	-	2,000,000
From operations for the year before depreciation of $247,640 (1970 - $160,022) and $34,858 (1970 - $33,999) amortization of bond discount and expense. (Cash flow per share: 1971 - $.05; 1970 - $.07) ...	99,781	134,928
	8,180,808	23,987,624
Application of cash:		
Repayment of interim financing of construction costs	$6,034,815	$13,446,295
Purchases of land	1,672	1,145,959
Expenditures on building and equipment, including construction in progress	1,033,477	8,034,217
Expenditures on properties acquired for future development	455,781	(25,441)
Principal repayments on long-term debt	252,031	139,103
Reduction in construction accounts payable, less net increase in other current liabilities and current assets other than cash	483,248	1,250,005
	8,261,024	23,990,138
Excess of cash expended over cash provided	(80,216)	(2,514)
Cash balance at beginning of year	37,619	40,133
Cash balance at end of year	$ (42,597)	$ 37,619

HALIFAX DEVELOPMENTS LIMITED

NOTES TO FINANCIAL STATEMENTS

1. Fixed assets:

		December 31, 1971		December 31, 1970
Land		$ 1,483,614		$ 1,481,942
Buildings and equipment	$32,932,807		$26,638,140	
Less: Accumulated depreciation (Note 2c)	461,556	32,471,251	213,915	26,424,225
Properties acquired for future development		1,029,658		573,877
Construction in progress		595,668		5,856,858
		$35,580,191		$34,336,902

The company is constructing and developing a complex known as Scotia Square comprising wholesale and retail outlets, office and apartment buildings and a hotel located on approximately 19 acres of land in the City of Halifax. A construction programme has been prepared by the company dividing the entire project into ten stages extending over a period from October 15, 1966 to September 30, 1973. The cost of the entire project is currently estimated to be approximately $50,000,000 including land, consultants' fees, preliminary expenses and other costs and including interest on borrowed money during the preliminary and construction periods.

Construction of Stages I, II, III, V and VI (designated, respectively, the Trade Mart, Scotia Mall and Parking Garage, the Duke Street Office Tower, Scotia Tower and the Nova Scotia Power Commission Tower) has been completed. These stages were placed on an operating basis commencing on the following dates:

Stage I - May 1, 1968
Stage II - April 1, 1970
Stage III - April 1, 1970
Stage V - October 1, 1971
Stage VI - October 1, 1971

2. Accounting policy:

(a) The company's accounting policies are in accordance with recommendations made by the Canadian Institute of Public Real Estate Companies (CIPREC).

(b) The procedure of capitalizing expenses (net of revenues) is followed in relation to properties under, or awaiting development. This amounted to $397,000 in 1971 (1970 - $806,000).

(c) The sinking fund method of depreciation is used. Accordingly, depreciation has been computed on the basis of an amount which, compounded annually at a rate of 5%, will amortize the cost of the buildings over forty years. Under this method, depreciation charged to income will increase each year and in the fortieth year will have increased to approximately seven times the amount charged in the first year.

(d) Bond discount and expense is being amortized on a straight-line basis over the life of the respective bonds.

3. Bank loans:

Current bank loans are secured to the extent of $1,999,459 by company directors' guarantees and by a general assignment of book debts.

4. Property taxes:

Property taxes were paid in full in February, 1972.

5. Long-term debt:

8¼ %	First mortgage loan repayable in level monthly installments of $17,533 principal and interest to July 1, 1993.	$ 2,140,659
8%	General Mortgage Sinking Fund Bonds, Series A, due August 1, 1993. Sinking fund payments to commence in 1973.	3,000,000
8%	General Mortgage Sinking Fund Bonds, Series B, due December 31, 1994. Sinking fund payments to commence in 1974.	1,000,000
8%	First Mortgage Bonds, First Series, due April 1, 1996 repayable in level monthly installments of $91,585 principal and interest. Additional interest, calculated at 3¼ % of gross annual rentals from specifically mortgaged premises, is payable at not less than $60,000 nor more than $110,000 in any one fiscal year of the company.	11,880,929

HALIFAX DEVELOPMENTS LIMITED

NOTES (Continued)

5. Long-term debt:

9%	First mortgage loan repayable in level monthly installments of $22,436 principal and interest to April 1, 2000.	2.788.531
	Bank loan due September 1974 secured by a first mortgage on the Nova Scotia Power Commission Tower. Interest fluctuates with New York prime lending rate. (U.S. $4,967,000).	$ 5,075,334
	Mortgages on properties acquired for future development.	317,390
		$26,202,843

Payments on principal and sinking fund payments during the next five fiscal years are as follows:

1972, $245,000; 1973, $325,000; 1974, $361,500; 1975, $383,500; 1976, $409,500.

6. Subordinated income debentures:

8%	Convertible Subordinated Income Debentures, Series B, due August 16, 1993. Convertible, at the holder's option, at the rate of 400 common shares for each $1,000 principal amount up to May 16, 1978 and thereafter up to August 16, 1993 at the rate of 285 common shares for each $1,000 principal amount.	$2,000,000
8%	Subordinated Income Debentures, Series C, due August 16, 1993.	600,000
		$ 2,600,000

Interest on the subordinated income debentures is not payable on the due date of May 16 each year unless, among other restrictions, the earnings for the previous fiscal period are available to meet such interest. Accordingly, interest of $559,716 accrued to December 31, 1971 on the subordinated income debentures has not been included in the financial statements for the year ended December 31, 1971.

Subsequent to December 31, 1971 arrangements have been made to convert the Series B and C Subordinated Income Debentures to Subordinated Non-Interest Bearing Convertible Debentures Series D, due August 16, 1993. As a result, all interest obligations relating to the Series B and C debentures will be eliminated.

Conversion, at the holder's option of the Series D debentures, can be made at the rate of 400 common shares for each $1,000 principal amount to May 16, 1978 and thereafter to August 16, 1993 at the rate of 285 common shares for each $1,000 principal amount.

7. Prior period adjustment:

Because of high interest rates prevalent during 1971 it was decided not to refinance the portion of the interim construction loans, that was outstanding in United States funds, for which a confirmed rate of conversion was held. As a result, a profit on foreign exchange of $132,417 deemed to be realized in 1970 has been restated as an unrealized gain on foreign exchange.

8. Capital stock:

The company has granted the following options for the purchase of common shares:

Number of shares	Exercise price per share	Expiry date
45,000	$1.00	December 31, 1975
25,000	1.00	March 31, 1973
11,250	2.50	December 31, 1975
30,000	2.90	October 28, 1973
150,000	2.00	December 31, 1972

A further 800,000 common shares have been reserved for the conversion of the 8% Convertible Subordinated Income Debentures, Series B.

On December 3, 1971 the Directors approved the issuance of rights to the existing shareholders to subscribe for 987,505 shares on the basis of one new share for each two shares held on February 1, 1972, at a price of $2.00 per share. As at April 15, 1972 all rights had been exercised.

Subsequent to December 31, 1971 the shareholders approved an increase in the authorized capital of the company from 4,000,000 to 5,000,000 common shares without par value.

9. Contingent liabilities:

The company has guaranteed a bank loan to a tenant in the amount of $60,000. In addition, contractors' fees of approximately $284,000 are in dispute and have not been recorded in the financial statements for the year ended December 31, 1971.

HALIFAX DEVELOPMENTS LIMITED

BOARD OF DIRECTORS

H. P. Connor	— Chairman of the Board of Directors, National Sea Products Limited
A. R. Harrington	— Business Executive
J. J. Jodrey	— President, Minas Basin Pulp & Power Company Limited
J. H. M. Jones	— Chairman of the Board of Directors, Hermes Electronics Limited
L. A. Kitz	— Senior Partner, Kitz, Matheson, Green & MacIsaac
C. E. MacCulloch	— President, MacCulloch & Co. Ltd.
J. C. MacKeen	— Business Executive
M. H. D. McAlpine	— President, Robert McAlpine Ltd.
Col. S. C. Oland	— Chairman of the Board of Directors, Oland & Son Limited
F. H. Sobey	— Chairman of the Board of Directors, Sobeys Stores Limited

OFFICERS

J. C. MacKeen	— Chairman of the Board of Directors
C. E. MacCulloch	— President
A. R. Harrington	— Vice-President
L. A. Kitz	— Vice-President
J. S. Russell	— General Manager and Secretary

BANK — The Bank of Nova Scotia

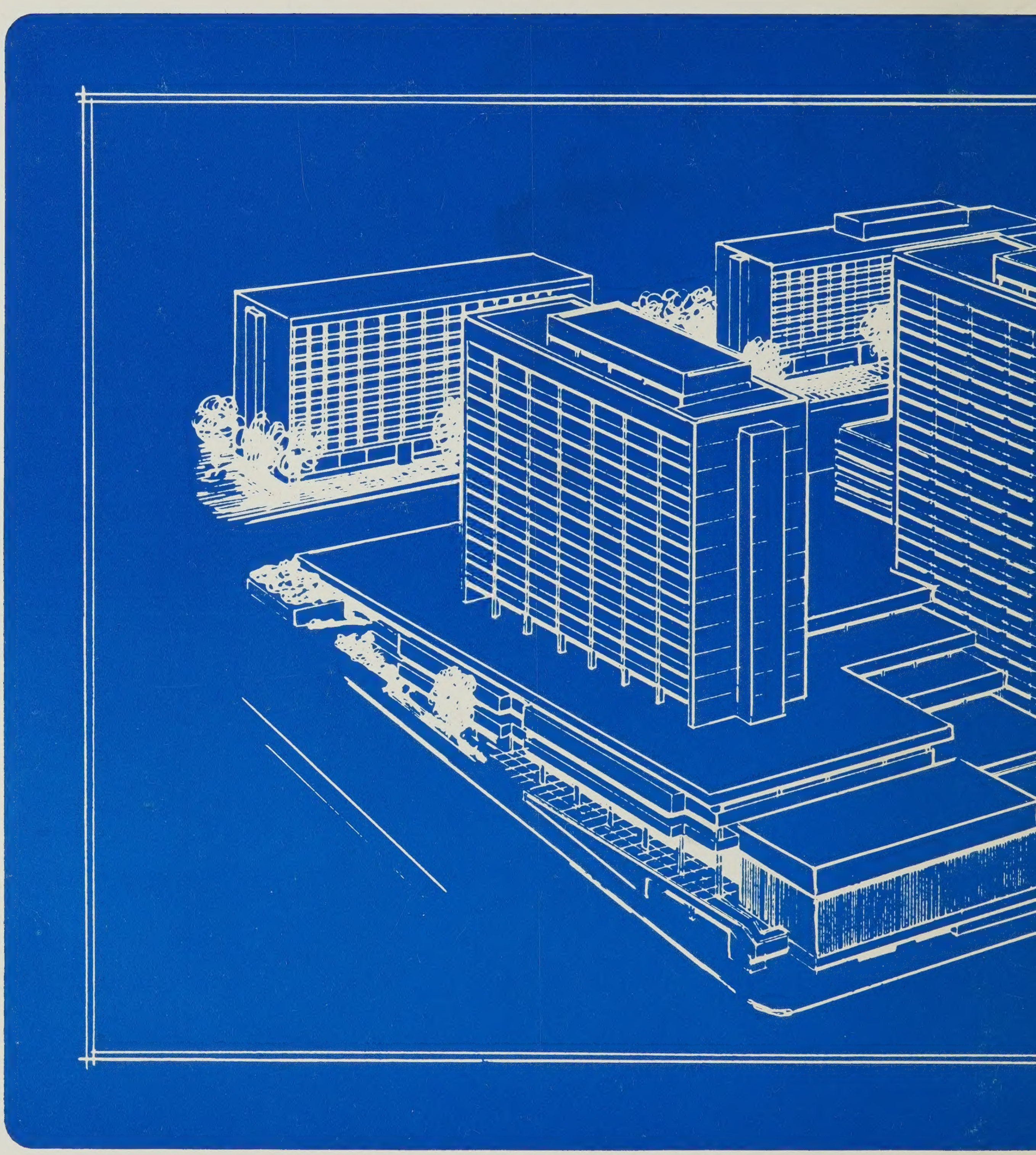
SOLICITORS — Kitz, Matheson, Green & MacIsaac;
Stewart, MacKeen & Covert

AUDITORS — Price Waterhouse & Co.

TRANSFER AGENT AND REGISTRAR — Canada Permanent Trust Company — Halifax, Montreal & Toronto

LISTED — Toronto Stock Exchange

HEAD OFFICE — Nova Scotia Power Commission Tower, Scotia Square, Halifax, Nova Scotia



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SIX MONTHS ENDED JUNE 30TH 1971

Halifax Developments Limited *Semi-Annual Report 1971*

Halifax Developments Limited

UNAUDITED STATEMENT OF OPERATING INCOME FOR THE SIX MONTHS ENDED JUNE 30, 1970 AND 1971

		1971 NOTE 1		1970 NOTE 2
Rental Income		$1,421,660		$1,159,468
Operating Expenses	$988,751		$838,984	
Less: Recovered from Tenants	305,350		273,287	
	683,401		565,697	
Interest on Long-Term Debt	794,133	1,477,534	757,926	1,323,623
Loss for the Period before Depreciation and Amortization of Bond Discount and Expense		$ (55,874)		$ (164,155)

NOTE 1: The loss on operations for the six months ended June 30, 1971, reflects the results of operating Stage 1 (the Trade Mart), Stage II (Scotia Mall) and Stage III (Duke Tower). The operating results for Stage V (Scotia Tower) and Stage VI (Nova Scotia Power Commission Tower) for the first six months of 1971 have been capitalized in agreement with the recommendations of the Canadian Institute of Public Real Estate Companies.

NOTE 2: The operating results for the six months ended June 30, 1970, include the results of operating Stages I, II and III for the full six month period although the results of operating Stages II and III for the first three months of 1970 were subsequently capitalized.

To Our Shareholders,

The first six (6) months of this year have been devoted to refining our operations and improving our leasing to enable us to undertake further capital projects in the continuing Scotia Square programme. In the period, the second office tower (180,000 sq. ft.) opened and is presently 80% leased.

Construction has commenced on an expansion of retailing in Scotia Mall. It is anticipated that in October of this year an additional twenty-five (25) stores, boutiques and kiosks will open for business in a specially designed area on the upper level named "The Village Square."

Retail sales have been very bouyant and for the first six (6) months were running over 30% ahead of last year's performance, a most encouraging sign.

Negotiations are proceeding at a rapid pace on the hotel for Scotia Square, and finalization of all details appears imminent.

All in all, continued success of your Company's major asset, Scotia Square, seems assured.

On behalf of the Board of Directors,

August 30, 1971

President.

UNAUDITED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE SIX MONTHS ENDED JUNE 30, 1971

Source of Funds:	
From Interim Financing of Construction Costs	$ 861,495
From Current Bank Loan	135,000
From Net Increase in other Current Liabilities	
Less Net Increase in Current Assets other than Cash	409,004
	$ 1,405,499
Application of Funds:	
Properties Acquired for Future Development Less Mortgages	38,499
Expenditures on Fixed Assets and Construction in Progress	425,830
Reduction of Construction Accounts Payable	855,187
Principal Repayments on Long-Term Debt	68,327
Loss on Operations	55,874
	1,443,717
Excess of Funds Expended over Funds Provided	(38,218)
Cash Balance at December 31, 1970	37,619
Cash Balance at June 30, 1971	$ (599)

THE ABOVE FIGURES ARE SUBJECT TO AUDIT AND YEAR END ADJUSTMENT.